



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

April 8, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AMENDMENT NO. 1 TO LEASE NO. 65436
DEPARTMENT OF MENTAL HEALTH
DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND ASSESSOR
251 EAST AVENUE K-6, LANCASTER
(FIFTH DISTRICT) (3 VOTES)**

SUBJECT

This recommendation is to authorize \$250,000 in expenditures which will be used for Tenant Improvements (TI) for space in an existing Capital lease being backfilled by the Department of Mental Health (DMH) in an amount not to exceed \$100,000 and for roof and Heating, Ventilation and Air Conditioning (HVAC) replacement in an amount not to exceed \$150,000 in Basic Structure Maintenance (BSM). The building is occupied by DMH, Department of Children and Family Services (DCFS) and Assessor.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that this Lease Amendment No. 1 is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.
2. Approve and instruct the Chair to sign the attached Amendment No. 1 with Frank A. Visco (Lessor) authorizing TI and BSM for a combined amount not to exceed \$250,000, terminating required future BSM account payments by the County and reimbursing the Lessor for the cost of insurance if requested by the County. The DMH TI work will be funded under the Mental Health Services Act (MHSA) and matching Medi-Cal funds.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

The BSM cost will be pro-rated to DMH which is 100 percent subvention funded, DCFS which is 87 percent subvention funded, and the Assessor which is a net County cost .

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The County leases 15,300 square feet of office space under a 25-year Capital lease, under which the County has an option to acquire the building for \$1.00 when the lease terminates on October 31, 2016.

In February 2007, the Department of Public Social Services vacated approximately 2,669 square feet of space moving to a larger County leased facility at 335 East Avenue K-6. DMH plans to backfill the vacated space and use it as a Wellness Center with funding provided under State Proposition 63 - MHSA. The balance of the building is occupied by the Assessor and DCFS.

The Lessor will provide \$100,000 for DMH TI's which will be lump sum reimbursed to the landlord upon completion and acceptance of construction by the County.

The Department of Public Works (DPW) conducted a survey of the basic structure and has recommended the roof be replaced and the HVAC systems updated. It is the County's responsibility under the lease to maintain/replace the HVAC and roof systems as part of BSM but can request the Lessor to provide repairs/replacement. The Lessor has agreed to complete the recommended HVAC and re-roofing at a cost not to exceed \$150,000, which the County will also lump sum pay.

The proposed amendment also allows the County at its sole option to request that the Lessor provide Insurance (fire, liability and extended coverage), as long as it meets the requirements of the Lessor's lender and Chief Executive Office (CEO)/Risk Management. County will reimburse the Lessor for such direct costs as additional rent. In addition, the BSM language in the Repair, Maintenance and Replacement Provision in the lease has been revised to terminate the County's monthly payment requirement as funds were never deposited in the account for BSM during the lease term.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Countywide Strategic Plan directs that we strengthen the County's fiscal capacity (Goal 4). In this case, the County provides maintenance and maintains the building value, which will become a County property at the end of the current lease period. Strategic Goal 7 directs the County to improve health and mental health outcomes and maximize utilization of scarce resources, implement a client-centered and delivery system that provides cost-effective and quality services.

FISCAL IMPACT/FINANCING

The annual base rent for the subject facility remains \$225,798. The requirement to set aside 3 percent of the monthly rent for BSM maintenance funding is being terminated.

251 E Avenue K-6	EXISTING LEASE	AMENDED LEASE	CHANGES
Area (Square feet)	Approximately 15,300	Approximately 15,300	None
Term	11/01/1991 to 10/31/2016	11/01/1991 to 10/31/2016	None
Current Base Rent	\$225,798	\$225,798	None
TI	None	\$100,000 (\$40.00/sq.ft.)*	+\$100,000
BSM	None	\$150,000 (\$9.80/sq.ft.)	+\$150,000
Maximum 1 st Amended Year Rent	N/A	\$475,798**	+\$250,000
Parking Included in Rent	75 off-street spaces	75 off-street spaces	None
Cancellation	None	None	None
Property Donation	End of Term	End of Term	None
Rental Adjustment	None	None	None

* TI for 2,500 square feet only and will be lump-sum paid by DMH.

** The current base rent of \$225,798 plus the lump sum payment of \$100,000 in TI reimbursement and \$26,102 in BSM by DMH and \$97,796 in lump sum payment by Assessor and \$26,102 in lump sum payment by DCFS for BSM in the first year.

Sufficient funding for DMH, DCFS and Assessor rental costs is included in the 2007-08 Rent Expense budget and will be billed back to the departments. DMH, DCFS and the Assessor have sufficient funding in their 2007-08 operating budgets to cover the proposed lease costs

The cost associated with the HVAC and re-roofing will be prorated and charged to DMH, DCFS and the Assessor based on the square footage occupied by each department.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Lease No. 65436 provides 15,300 rentable square feet of office space and 75 off-street parking spaces.

The lease is a 25-year Capital lease providing the County the use of 15,300 square feet of building space known as 251 East Avenue K-6, Lancaster. The County has the option to acquire the building for \$1.00 at the end of the lease term on October 31, 2016.

The amended lease contains the following provisions:

- The County at its sole option may at anytime request the Lessor to perform, supply and complete TI/BSM and reimburse Lessor for such costs as additional rent.
- Lessor shall provide an allowance for TI and BSM construction up to a maximum aggregate total of \$250,000, i.e., \$16.34 per rentable square foot. The County shall lump sum reimburse the \$250,000 upon acceptance by the County of the TI and BSM.
- The County may at its sole option, request the Lessor to provide Insurance (fire, liability and extended coverage), as long as it meets the requirements of the Lessor's lender and Chief Executive Office (CEO)/Risk Management, and may reimburse Lessor for such direct costs as an additional rent.
- The amendment terminates the County's requirement to provide monthly payment into a BSM account provided in the Repair, Maintenance and Replacement Provision of the lease.
- The County retains responsibility for all utilities, operating and building maintenance costs.

CEO Real Estate staff did not survey the program's service area to determine the market rate of comparable sites as County leased space was available for backfill. The Capital lease term is 25 years with no cancellation. The County will purchase the building for \$1.00 at the end of the term.

DPW has inspected the facility and found it suitable for continued County occupancy. DPW has also recommended that the HVAC and roof systems be updated.

NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

The CEO has made an initial study of environmental factors and has concluded that this project is exempt from CEQA as specified in Class 1, Section r of the Environmental Document Reporting Procedures and Guidelines adopted by your Board on November 17, 1987, and Section 15061 (b) (3) of the State CEQA Guidelines.

The Honorable Board of Supervisors
April 8, 2008
Page 5

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed Amendment No. 1 to Lease No. 65436 will provide for the continued use of the facility by DMH, DCFS and Assessor. DMH, DCFS and Assessor concur with this recommendation.

CONCLUSION

It is requested that the Executive Officer, Board of Supervisors return two originals of the executed Amendment No. 1 to Lease No. 65436, two certified copies of the Minute Order and the adopted, stamped Board letter to the CEO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:DL:JSE
CEM:TS:hd

Attachments (2)

c: County Counsel
Auditor-Controller
Department of Mental Health
Department of Children and Family Services
Assessor

**AMENDMENT NO. 1 TO LEASE No. 65436
251 EAST AVENUE K-6, LANCASTER
ASSESSOR, CHILDREN AND FAMILY SERVICES AND
MENTAL HEALTH DEPARTMENTS**

This Amendment No. 1 to Lease ("Amendment No. 1") is made and entered into this 8th day of APRIL, 2008, by and between FRANK A. VISCO ("Lessor"), and the COUNTY OF LOS ANGELES, a body politic and corporate ("Lessee").

WHEREAS, the parties hereto have entered into that certain Lease dated September 10, 1991 (the "Lease") for 10,000 square feet of office space together with 50 adjacent surface parking spaces for Lessee's exclusive use and

Whereas in 1993 the Parties entered into that certain agreement to lease the remaining 5,300 square feet of office space together with an additional 25 adjacent surface parking spaces for Lessee's exclusive use located mid-block of the northeast corner of Gingham Avenue and Business Park Drive, Lancaster, as legally described in Exhibit "A" attached hereto and incorporated herein by this reference and also known as 251 East Avenue K-6.

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and the rents, covenants and agreements herein contained, the Lessor and Lessee hereby agree as follows:

2. Paragraph 7 REPAIR, MAINTENANCE AND REPLACEMENT of the Lease, shall be amended and the following shall be added:

Upon full execution of Amendment No. 1, Lessee's obligation to pay an amount equal to three percent (3%) of the monthly rent for the purpose of maintaining the Basic Structure and repairing latent defects pursuant to Paragraph 7b of the Lease shall terminate. Additionally, since the Lessee failed to make any payments of funds into this account, being used for approved deferred maintenance, no funds shall be returned to the Lessee, County of Los Angeles by the Lessor, Frank A. Visco.

Lessee also agrees to keep in good repair, replace and maintain at Lessee's own expense the basic structure during the remaining term of the Lease. "Basic structure" is agreed to include: the foundation, roof, sub-flooring, concrete floor slab, bearing and exterior walls, concealed plumbing, sewer lines, electrical lines, electrical systems, elevator, including shaft and pit. Lessee further agrees to and pay for all repair and maintenance of the grounds, landscaping, lamps and tubes, exposed and concealed plumbing, painting, fire sprinkler system, floor covering and window coverings, ceilings, janitorial services and supplies, security and trash removal and other repairs of a structural and non-structural nature.

Notwithstanding any provisions of this Lease to the contrary, Lessee at its sole option, acting through the County's Chief Executive Office ("CEO"), may request the Lessor to perform, supply and administer any such repairs and replacement listed above, and shall reimburse Lessor for such costs as additional rent. Lessor agrees that administrative costs and profit and overhead will not exceed a maximum of four percent (4%) of the direct costs associated with such repairs and maintenance work.

3. Paragraph 15 INSURANCE of the Lease, shall be amended by adding the following:

Lessee, acting through the CEO, may at its sole option, request Lessor to provide Insurance (including without limitation Fire, Liability, and Extended Coverage), as long as it meets the requirements of the Lessor's lender and CEO/Risk Management, and may reimburse Lessor for such direct costs as additional rent.

4. Paragraph 28 TENANT IMPROVEMENTS of the Lease is hereby added as follows:

Lessee, at its sole option, acting through the CEO, may request the Lessor to perform, supply and administer tenant improvements and shall reimburse Lessor for such costs as additional rent. Lessor agrees to perform such tenant improvements upon request and further agrees that his administrative costs and profit and overhead will not exceed a maximum of four percent (4%) of the direct costs associated with such repairs and tenant improvements. Additionally, Lessee may authorize Lessor, after review of estimates and written approval of the CEO or its designated representative, to pay for tenant improvements up to a maximum aggregate total of \$250,000. Lessee agrees to reimburse Lessor for all tenant improvement costs actually accepted by Lessee, by lump sum reimbursement of the initial \$100,000 upon acceptance by the County of the tenant improvements and by amortizing the remaining \$150,000 over the remaining term of the Lease or an eight-year term, whichever is less, at the interest rate of seven percent (7%) per annum. The Lessee may at anytime during the Lease term pay Lessor, or his designee, all or any portion of the tenant improvement cost without penalty and reduce the rental rate accordingly. Lessor will notify Lessee of the tenant improvement final cost, and the amount payable monthly by Lessee in addition to the base monthly rent. For purposes of ascertaining the actual cost of said tenant improvements, Lessor shall provide to Lessee a detailed breakdown of the total costs of constructing the tenant improvements and shall execute a summarized breakdown of the total costs of the tenant improvements. Lessee shall have the right to audit such costs for a period of twenty-four months from the date of Lessee's acceptance of the tenant improvements.

5. Paragraph 29 LIMITATION OF AUTHORITY of the Lease is hereby added as follows:

Only the Board of Supervisors has the authority, by formally approving and/or executing this Lease, to bind the Lessee to the terms included herein. Lessor understands that no

IN WITNESS WHEREOF, the Lessor has executed this Amendment No. 1 or caused it to be executed, and the County of Los Angeles by order of its Board of Supervisors, has caused this Amendment No. 1 to be executed on its behalf by the Chair of said Board and attested by the Clerk thereof the day, month, and year first above written.

LESSOR:

FRANK A. VISCO

By: [Signature]
Frank A. Visco

ATTESTED:

SACHI A. HAMAI
Executive Officer-Clerk
of the Board of Supervisors

By: [Signature]
Deputy



I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By: [Signature]
Deputy

LESSEE:

COUNTY OF LOS ANGELES

By: [Signature]
Chair, Board of Supervisors

APPROVED AS TO FORM:

County Counsel
RAYMOND G. FORTNER JR.

By: [Signature]
Amy M. Caves
Deputy

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

22

APR 08 2008

[Signature]
SACHI A. HAMAI
EXECUTIVE OFFICER